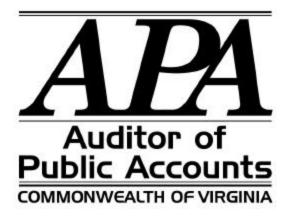
SOUTHWEST VIRGINIA HIGHER EDUCATION CENTER ABINGDON, VIRGINIA

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2000



AUDIT SUMMARY

Our audit of the Southwest Virginia Higher Education Center for the year ended June 30, 2000, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System (CARS) and in the Center's financial accounting system;
- no matters involving internal control that we consider material weaknesses; and
- no instances of noncompliance with applicable laws and regulations tested that we are required to report.

AGENCY BACKGROUND

The Southwest Virginia Higher Education Center (the Center) was created in 1991 by the General Assembly to strengthen the economy of southwest Virginia through education and training of the current and future workforce. The Center coordinates the development and delivery of continuing education, facilitates the delivery of teacher training programs, and develops specific goals for higher education in the region, in coordination with the State Council of Higher Education for Virginia. The Center's collaborative partners are the University of Virginia, the University of Virginia's College at Wise, Virginia Highlands Community College, Radford University, Virginia Polytechnic Institute and State University, Old Dominion University, and Emory and Henry College. Virginia Commonwealth University is an associate participant.

The Center began by offering undergraduate and graduate courses at the University of Virginia Division of Continuing Education office in Abingdon, Virginia. In 1998, the Center began using its new 89,000 square-foot building located on the Virginia Highlands Community College campus.

The Center does not employ faculty or award credit hours itself. The Center's partner institutions and associates employ faculty and award credit hours and degrees to students. During the year, 44 degree programs were offered at the Center by its partners and associates. Total registrations for classes held at the Center during the fall semester of 1999 was 1,021. In the spring semester of 2000, there was a total registration of 1,526.

Part of the Center's mission statement is to enhance and promote economic development and growth in southwest Virginia. During fiscal year 2000, the Center leased rooms for over 500 events and meetings. Events included state agency and other non-profit meetings and training and included trade shows, banquets, interviews, and seminars held by for-profit organizations. The Center has established different fees for non-profit and profit organizations for use of its facilities.

The following table summarizes the cash basis financial activity for the year ended June 30, 2000.

	Operating Funds
Revenues and other additions:	
Unrestricted revenues	\$ 410,159
Appropriations	1,370,793
Private grants and contracts	<u>52,945</u>
Total revenues and other additions	1,833,897
Expenses:	
Operating expenses	1,756,324
Debt service	81,974
Total expenses	1,838,298
Excess of expenses over revenues and other additions	(4,401)
Cash balance carried forward from fiscal 1999	276,218
Cash balance carried forward to fiscal 2001	<u>\$ 271,817</u>

October 23, 2000

The Honorable James S. Gilmore, III Governor of Virginia State Capitol Richmond, Virginia The Honorable Vincent F. Callahan, Jr. Chairman, Joint Legislative Audit and Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Southwest Virginia Higher Education Center** for the year ended June 30, 2000. We conducted our audit in accordance with <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States.

Audit Objectives, Scope, and Methodology

Our audit's primary objectives were to evaluate the Center's accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System and in the Center's financial accounting system, review the adequacy of the Center's internal control, and test compliance with applicable laws and regulations.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Center's operations. These procedures included reviews of documents and records at the University of Virginia, which provides administrative support for the Center. We also tested transactions and performed such other auditing procedures as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations over significant cycles, classes of transactions, and account balances.

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Center's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

The Center's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

Audit Conclusions

We found that the Center properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System and in its financial accounting system. The Center records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System and the Center's financial accounting system.

We noted no matters involving internal control and its operation that we consider to be material weaknesses. A material weakness is a condition in which the design or operation of specific internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to financial operations may occur and not be detected promptly by employees in the normal course of performing their duties. Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses.

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance that are required to be reported under <u>Government Auditing Standards</u>. This report is intended for the information of the Board of Trustees, the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

EXIT CONFERENCE

We discussed this report with the Executive Director on November 9, 2000.

AUDITOR OF PUBLIC ACCOUNTS

JHS:jld jld:44

SOUTHWEST VIRGINIA HIGHER EDUCATION CENTER Abingdon, Virginia

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Rachel D. Fowlkes